



USAID | PHILIPPINES

FROM THE AMERICAN PEOPLE

PRESS CLIPPINGS

Office of Program Resources Management

(632) 552-9907

Monday, August 22, 2005

“USAID/Philippines does not vouch for the accuracy or the opinions of the articles provided in this press clipping service and assume no responsibility for their content. Please contact USAID/Philippines at usaiddph@mozcom.com if you have any questions about USAID programs and projects.”

STRATEGIC OBJECTIVE #2

(Governance of Economic and Legal Systems Improved)

MABS: Microenterprise Access to Banking Services (A Special Section of Philippines Star – Rural Banking Week August 22-28, 2005)

Microenterprises comprise 91 percent of the total number of businesses in the country. These are also the primary source of livelihood for 41 percent of Filipino households. They provide employment to about 37 percent of the country's total workforce, making the sector key to economic development.

However, most of these microenterprises cannot progress towards expanding their business for lack of access to additional capital. Most financial



SERVING MICROENTERPRISES IN MUSLIM MINDANAO. Maranao Rural Bank Vice President Murshid Rasuman (2nd from right), and Bank Manager Sahary Diaca (right) receive an EAGLE Achievement Award from the Rural Bankers Association of the Philippines - Microenterprise Access to Banking Services (RBAP-MABS) Program. EAGLE Awards are given to participating banks that have attained high ratings based on the EAGLE Rating System, which measures a bank's microfinance performance according to five components (Efficiency, Asset Quality, Growth, Liability Structure, and Earnings). The Program, which is supported by the United States Agency for International Development (USAID) with oversight provided by the Mindanao Economic Development Council (MEDCo), is designed to assist rural banks to develop the capability to profitably provide financial services – both loans and deposit services – to microentrepreneurs. Held in Davao City, the awarding ceremonies was led by (from left) MABS Autonomous Region in Muslim Mindanao Area Manager Ernesto Gementera, MABS Program Chief of Party John Owens, USAID Deputy Mission Director Frank Donovan, Rural Bankers Association of the Philippines President Senen Gioroso and Bangko Sentral ng Pilipinas Director Wilfredo Domo-ong. The Maranao Rural Bank, based in Marawi City, is one of only three rural banks operating in the Autonomous Region in Muslim Mindanao and supports the government's 'Mindanao Natin' Initiative by giving micro entrepreneurs access to banking services to improve and expand their businesses.

institutions view lending to microentrepreneurs as risky and unprofitable – this leads some to turn to informal moneylenders at interest rates that do not allow for savings or much profit.

By providing the microentrepreneur much needed access to proper microfinance services such as small loans, savings products, insurance, and remittance services, there's a much better chance for the business to thrive. Fortunately for many in the countryside, there is a solution.

The Microenterprise Access to Banking Services (MABS) program works with privately owned rural banks to assist them to develop the capability to profitably provide financial services – both loan and deposit services – to the microenterprise sector.

Launched in 1997, MABS is jointly implemented by the United States Agency for International Development (USAID) and the Rural Bankers Association of the Philippines (RBAP), with oversight provided by the Office of the President, through the Mindanao Economic Development Council (MEDCo).

Rural banks are the ideal vehicles for reaching the microenterprise sector. They have excellent geographic coverage – more than 2,000 banking units covering the majority of all municipalities in the Philippines – and are culturally closer to the target market. Also, rural banks' cost and overhead structures allow them to provide microfinance services at a profit.

Attorney John Owens, an 18-year veteran of microfinance and microenterprise development and Chief of Party for the MABS program says, "Our primary focus has been on loans and deposits. We have effectively helped rural banks to tap the potential of the market, providing financial services to microenterprises in a profitable way both on the deposit side and the loan side."

Since it began, the MABS program has provided over 600,000 loans totaling over P7 Billion. "We're seeing that rural banks are becoming the leaders in providing microfinance services. One thing that banks can offer that NGOs cannot is they can offer the public deposit services which are just as important, if not more important, than credit alone," Owens continues.

The program has grown from working with just four banks in 1998 to working with 80 over the

Next page, please

course of seven years. Owens adds that they have developed a training tool that helps these banks approach their market in a systematic way. The MABS Approach Training and Technical Services (MATTS) to rural banks is a step-by-step training and technical assistance package followed by rural banks as they develop the full capability to profitably provide loan and deposit services to microenterprises.

"We have worked with local consulting firms to provide the same training that we've developed over the years," says Owens. MABS has licensed two MABS Service Providers (MSPs) to ensure the long-term availability of the training package beyond the life of the program. Associated Resources for Management and Development (ARMDEV) and Punla sa Tao Foundation will provide, for a fee, the MATTS package to rural banks.

Refresher courses, forums, and discussions guarantee the continued success of the program with emphasis on microfinance best practices and the prevention of backsliding. MABS also works with the Bankers Association of the Philippines Credit Bureau to provide rural banks with access to negative credit information through the Negative File Information System (NFIS).

In coordination with the RBAP, MABS supported the development of Rural Banker 2000 (RB2000) a bank management software package customized for rural banks. RB2000 includes features essential to the prudent management of microfinance loans and deposit services. RB2000 is currently implemented in 77 rural banks throughout the Philippines.

Following this technological leap, MABS developed peripheral technologies such as a Personal Digital Assistant (PDA)-based loan collection system. A PDA-based credit investigation-background investigation system is also being developed.

The MABS program has proven to be very successful, but there is still much to do. Ultimately, MABS seeks to reach the following targets: Bringing the number of MABS participant bank units to 350 bank and bank branches; total number of micro-borrowers served by MABS participant banks to exceed 500,000; total number of new micro-depositors served by MABS participant banks to exceed 400,000; expansion of training and technical support to thrift banks, and; expansion of microfinance services to small farmers and owners of agriculture based

microenterprises through the development and pilot test of a new micro-agri loan product.

"The success of MABS is really the achievement of the participating banks," concludes Owens. "The MABS program has provided training and technical assistance but it is the banks who really invested time and money to provide sustainable and profitable microfinance services for thousands of small depositors and borrowers."



BANGKO KABAYAN RECEIVES THIRD EAGLE AWARD.

The Microenterprise Access to Banking Services (MABS) Program recently announced its 2004 EAGLE Awardees. These are participating banks that have attained high ratings based on the EAGLE Rating System, which measures a bank's microfinance performance according to five components (Efficiency, Asset Quality, Growth, Liability Structure, and Earnings). Bangko Kabayan (BK), a rural bank with nine branches in the Batangas province, is one of the awardees. This is the bank's third EAGLE Award. Picture shows: (left to right) MABS Chief of Party John Owens, MABS Deputy Chief of Party Meliza Agabin, United States Agency for International Development (USAID) Deputy Mission Director Frank Donovan, BK Chairman of the Board Gerardo Ozeata, BK Vice President Rogelio Ceradoy, and Bangko Sentral ng Pilipinas Supervision and Examination Department Director Wilfredo Domo-ong (partly hidden). The MABS Program, a USAID-funded program implemented by the Rural Bankers Association of the Philippines, with oversight provided by the Office of the President through the Mindanao Economic Development Council (MEDCo), assists rural banks to develop their capacity to profitably provide banking services to microentrepreneurs. Since 1999, more than 6 billion pesos have been disbursed by MABS participating rural banks to more than 190,000 microenterprise borrowers. The Program's participating banks have also provided deposit services to more than 770,000 microdepositors totaling more than 1 billion pesos in deposits.



USAID
FROM THE AMERICAN PEOPLE



MICROENTERPRISE ACCESS TO BANKING SERVICES

“Congratulation to **RBAP** and all **Rural Banks in the Philippines** on the occasion of **Rural Banking Week**. **USAID** has been proud to be your partner for the past several years as you have moved to dramatically expand availability of microfinance services to microenterprises. **Rural Banks in the Philippines** are showing the world that the banking industry can make a real and sizable contribution to the struggle to eliminate poverty. We look forward to continued collaboration as the effort continues.” - *Jon D. Lindborg, Mission Director*

(Source: Philippine Star, 8/22/05, pages J1)